

*Upon Written Request, Copy Available From:* Securities and Exchange Commission, Office of Filings and Information Services, Washington, D.C. 20549

# New

*State Utility Questionnaire File No. 270-397*

Notice is hereby given that, pursuant to the Paperwork Reduction Act of 1980 (44 U.S.C. 3501 *et seq.*), the Securities and Exchange Commission ("the Commission") has submitted for the Office of Management and Budget approval a State Utility Questionnaire ("the Proposed Questionnaire").

The Proposed Questionnaire will be used to obtain information on a voluntary basis in connection with a comprehensive study of the Public Utility Holding Company Act of 1935. The Proposed Questionnaire will solicit comments, and in some instances documents, on a range of issues that include the following: Utility financing; affiliate transactions; accounting, audits and inspections; ownership and acquisition regulation; and reporting requirements.

The estimated burden on state utility commissions is 10 hours. The total burden on the 51 state utility commissions would therefore be 510 hours.

General comments regarding the estimated burden hours should be directed to the Clearance Officer of the Securities and Exchange Commission at the address below. Any comments concerning the accuracy of the estimated average burden hours for compliance with Commission rules and forms should be directed to David T. Copenhafer, Acting Director, Office of Information Technology, Securities and Exchange Commission, 450 Fifth Street NW., Washington, D.C. 20549 and Clearance Office for the Securities and Exchange Commission, Office of Management and Budget, (Project No. 3235-new), Room 3208, New Executive Office Building, Washington, D.C. 20503.

Dated: January 11, 1995.

**Margaret H. McFarland,**

*Deputy Secretary.*

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[Release Nos. 33-7127; 34-35234; International Series Release No. 772]

## Exemptions From Rules 10b-6, 10b-7, and 10b-8 During Distributions of Certain United Kingdom Securities and Certain Securities Traded on SEAQ International

January 18, 1995.

Pursuant to delegated authority, on January 10, 1995, the Division of Market Regulation issued the following letter granting class exemptions from Rules 10b-6, 10b-7, and 10b-8 ("Trading Practice Rules") under the Securities Exchange Act of 1934 to facilitate distributions in the United States of securities of certain highly capitalized United Kingdom issuers and issuers whose securities are traded on SEAQ International. The exemptions permit transactions that otherwise would be prohibited by the Trading Practice Rules, subject to certain disclosure, recordkeeping, record production, and notice requirements.

The exemptions have been issued pursuant to the Commission's Statement of Policy contained in Securities Exchange Act Release No. 33137 (November 3, 1993), and are published to provide notice of their availability.

**Margaret H. McFarland,**

*Deputy Secretary.*

UNITED STATES

## SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

January 10, 1995.

Mr. Dan Sheridan,

*Director, Market Supervision, The London Stock Exchange, Old Broad Street, London EC2N 1HP, United Kingdom*

Re: Distributions of Certain United Kingdom Securities and of Certain Securities Traded on SEAQ International, File No. TP 94-224

Dear Mr. Sheridan: In regard to your letter dated January 6, 1995 as supplemented by conversations with the staff, this response thereto is attached to the enclosed photocopy of your correspondence. By doing this we avoid having to recite or summarize the facts set forth in your letter.

Response

## I. Distributions of Certain Qualified U.K. Securities

On the bases of your representations and the facts presented, the Commission hereby grants exemptions from Rules 10b-6, 10b-7, and 10b-8 under the Securities Exchange Act of 1934 ("Exchange Act") to distribution participants, as defined in Rule 10b-6(c)(6)(ii), and their affiliated purchasers, as defined in Rule 10b-6(c)(6)(i) (collectively, "Relevant Parties"), in connection with transactions in Relevant U.K. Securities outside the United States during

distributions of Qualified U.K. Securities subject to the following terms, conditions, and limitations:

### A. United Kingdom Securities

1. The security being distributed ("Qualified U.K. Security") must:

- be issued by: (i) a "foreign private issuer" within the meaning of Rule 3b-4 under the Exchange Act incorporated under the laws of the United Kingdom, the Channel Islands, the Isle of Man or the Republic of Ireland, which issuer ("U.K. Issuer") has outstanding a component security of the FT-SE 100;<sup>1</sup> or (ii) a subsidiary of a U.K. Issuer described in paragraph I.A.1.a.(i); and

b. satisfy one of the following:

(i) be an equity security of a U.K. Issuer which security has an aggregate market value that equals or exceeds the equivalent of £660 million (which exceeded US\$1 billion as of January 5, 1995) and a world-wide average daily trading volume that equals or exceeds the equivalent of £3.5 million (which exceeded US\$5 million as of January 5, 1995), as published by FFRAs<sup>2</sup> and any U.S. securities exchanges or automated inter-dealer quotation systems during the Reference Period for U.K. Issuers; or

(ii) be a security that is convertible into, exchangeable for, or a right to acquire a security of a U.K. Issuer described in paragraph I.A.1.b.(i).

2. "Relevant U.K. Security" means:

- a Qualified U.K. Security; or
- a security of the same class and series as, or a right to purchase, a Qualified U.K. Security (collectively, "Relevant U.K. Securities").

<sup>1</sup> References herein to the FT-SE 100 refer to the composition of such index on the date of this letter; provided, however, that any security added to the FT-SE 100 after the date of this letter also will be treated as a Qualified U.K. Security, if its issuer satisfies the requirements in paragraph I.A.1.a. and such security has an aggregate market value that equals or exceeds the equivalent of £660 million (which exceeded US\$1 billion as of January 5, 1995) and a world-wide average daily trading volume that equals or exceeds the equivalent of £3.5 million (which exceeded US\$5 million as of January 5, 1995), as published by foreign financial regulatory authorities ("FFRA") and any U.S. securities exchanges or automated inter-dealer quotation systems, during a period ("Reference Period for U.K. Issuers") that is 20 consecutive business days in London within 60 consecutive calendar days prior to the commencement of the Covered Period for U.K. Issuers as defined in paragraph I.C.1. below.

<sup>2</sup> An FFRA is defined in Section 3(a)(51) of the exchange Act, 15 U.S.C. 78c(a)(51), as any (A) foreign securities authority; (B) other governmental body or foreign equivalent of a self-regulatory organization empowered by a foreign government to administer or enforce its laws relating to the regulation of fiduciaries, trusts, commercial lending, insurance, trading in contracts of sale of a commodity for future delivery, or other instruments traded on or subject to the rules of a contract market, board of trade, or foreign equivalent, or other financial activities; or (C) membership organization a function of which is to regulate participation of its members in activities listed above. The London Stock Exchange, The Securities and Futures Authority ("SFA") and The London International Financial Futures and Options Exchange ("LIFFE") are considered to be FFRAs.

**B. Transactions Effected in the United States**

All transactions in Relevant U.K. Securities effected in the United States shall comply with Rules 10b-6, 10b-7, and 10b-8.

**C. Transactions Effected in the United Kingdom**

1. All transactions in Relevant U.K. Securities during the Covered Period for the Qualified U.K. Security that are effected in the United Kingdom shall be conducted in compliance with U.K. law. For purposes of these exemptions, "Covered Period for the Qualified U.K. Security" means: (i) in the case of a rights distribution, the period commencing when the subscription price is determined and continuing until the completion or abandonment of the distribution in the United States, and (ii) in the case of any other distribution, the period commencing three business days in London before the price is determined and continuing until the completion or abandonment of the distribution in the United States; *provided, however*, that the Covered Period for the Qualified U.K. Security shall not commence with respect to any Relevant Party until such person becomes a distribution participant.

2. All transactions in Relevant U.K. Securities during the Covered Period for the Qualified U.K. Security effected in the United Kingdom shall be effected on or reported to the Exchange, LIFFE or SFA.

**3. Disclosure of Trading Activities.**

a. The inside front cover page of the offering materials used in the offer and sale in the United States of a Qualified U.K. Security shall prominently display a statement in substantially the following form, subject to appropriate modification where circumstances require. Such statement shall be in capital letters, printed in bold-face roman type at least as large as ten-point modern type and at least two points leaded:

IN CONNECTION WITH THIS OFFERING, CERTAIN PERSONS MAY ENGAGE IN TRANSACTIONS FOR THEIR OWN ACCOUNTS OR FOR THE ACCOUNTS OF OTHERS IN (IDENTIFY RELEVANT U.K. SECURITIES) PURSUANT TO EXEMPTIONS FROM RULES 10b-6, 10b-7, AND 10b-8 UNDER THE SECURITIES EXCHANGE ACT OF 1934. SEE "[IDENTIFY SECTION OF OFFERING MATERIALS THAT DESCRIBES THE TRANSACTIONS TO BE EFFECTED]."

b. In addition, there shall be included in the identified section of the offering materials a comprehensive description of the activities that may be undertaken by the Relevant Parties in the Relevant U.K. Securities during the distribution.

**4. Recordkeeping and Reporting.**

a. Each Relevant Party shall provide to the Exchange the information described in paragraph I.C.4.b. below with respect to its transactions in Relevant U.K. Securities in the United Kingdom; *provided, however*, that in the case of a distribution made pursuant to rights, such information is only required to be reported to the Exchange during the period or periods commencing at any time during the Covered Period for the Qualified U.K. Security that the rights exercise price does not represent a discount of at least 10 percent from the then current market price of

the security underlying the rights and continuing until (a) the end of the Covered Period for the Qualified U.K. Security or (b) until the rights exercise price represents a discount of at least 12 percent from the then current market price of the security underlying the rights.<sup>3</sup>

b. When required pursuant to paragraph I.C.4.a. above, the Relevant Parties will provide the following information to the Exchange in a Comma Delimited ASCII (American Standard Code for Information Interchange) format including a common record layout acceptable to the Exchange and the Division, with respect to transactions in Relevant U.K. Securities during the Covered Period for the Qualified U.K. Security:

(i) name of the security, date, time (of execution and reporting, where available to the Relevant Party), price, and volume of each transaction; *provided, however*, that no information regarding a customer transaction need be provided unless such transaction has a value of £200,000 or more (currently \$310,000);

(ii) the exchange or inter-dealer quotation system on which the transaction was effected, if any;

(iii) an indication whether such transaction was for a proprietary account or the account of a customer, *provided that* any transaction effected by an underwriter for a customer account for which it has exercised discretionary authority shall be reported as a discretionary customer trade; and

(iv) the identity of the counterparty to the transaction.

c. The Exchange and the Relevant Parties shall keep all documents produced or prepared pursuant to paragraph I.C.4.b. for a period of not less than two years.

d. Upon the request of the Division, the Exchange shall transmit the information provided by the Relevant Parties pursuant to paragraph I.C.4.b. above to the Division within 30 days of the request.

e. If the information required to be produced in paragraph I.C.4.b. above is not available from the Exchange upon the request of the Division the information shall be provided by each Relevant Party, with respect to their own reportable transactions, and be made available to the Division at its office in Washington, D.C. within 30 days of the request. The Division will notify the Exchange that it has received information pursuant to this paragraph, and upon appropriate request, will provide the Exchange the information submitted by the Exchange's member firms or their affiliates.

f. Representatives of a Relevant Party will be made available (in person at the office of the Division or by telephone) to respond to inquiries of the Division relating to its records.

**D. Transactions Effected in Significant Markets**

All transactions in Relevant U.K. Securities in a Significant Market shall be effected in accordance with the requirements of Rules

<sup>3</sup> For purposes of these exemptions, unless stated otherwise, the "current market price" for a Qualified U.K. Security shall be the closing mid-price at the end of the mandatory quote period for the day on SEAQ.

10b-6, 10b-7, and 10b-8 or by other available exemptions. For purposes of these exemptions, "Significant Market" means any securities market(s) in a single country other than the United States or the United Kingdom, the Channel Islands, the Isle of Man, or the Republic of Ireland to which a U.K. Issuer has applied for listing or obtaining a quotation for the Qualified U.K. Security and been accepted, if during the Reference Period for the Qualified U.K. Security the volume in such Qualified U.K. Security, as published by the relevant FFRA in such securities market is 10 percent or more of the aggregate world-wide trading volume in that securities as published by all FFRAs in such Significant Markets, in the United Kingdom, the Channel Islands, the Isle of Man, the Republic of Ireland, and U.S. securities markets.

**E. General Conditions**

1. For purposes of these exemptions, a two business day cooling-off period shall apply under Rule 10b-6(a)(4) (xi) and (xii) in the United States and each Significant Market, provided that trading in Relevant U.K. Securities in Significant Markets shall be subject to the exemptive relief then available in such market, if any, or the record maintenance and record production requirements contained in *Letter regarding Application of Cooling-Off Periods Under Rule 10b-6 to Distributions of Foreign Securities* (April 4, 1994).

2. The lead underwriter or the global coordinator or equivalent person shall promptly, but in any event before the commencement of the Covered Period for the Qualified U.K. Securities, provide a written notice ("Notice") to the Division and the Exchange containing the following information: (i) the name of the issuer and the Qualified U.K. Security; (ii) whether the Qualified U.K. Security is a FT-SE 100 component security or information with respect to the market capitalization and the average daily trading volume of the Qualified U.K. Security to be distributed; (iii) the identity of the Significant Markets where the Qualified U.K. Security trades; (iv) if the Notice is for more than one entity, the identity of all underwriters and selling group members relying on these exemptions;<sup>4</sup> and (v) a statement that the Relevant Parties are aware of the terms and conditions of these exemptions.

3. Any person who fails to comply with the conditions of the exemptions, including a failure to provide requested information, would not be permitted to rely on the exemptions in future distributions. Upon a showing of good cause, however, the Commission or the Division may determine that it is not necessary under the circumstances that the exemption be denied.

**II. Distributions of Certain SEAQ International Securities**

On the basis of your representations and the FACTS presented, the Commission hereby grants exemptions from Rules 10b-6, 10b-7, and 10b-8 under the Exchange Act to

<sup>4</sup> Supplemental Notices shall be provided or underwriters and selling group members identified after a Notice has been submitted.

Relevant Parties, in connection with transactions in Relevant SEAQ International Securities outside the United States during distributions of Qualified SEAQ International Securities subject to the following terms, conditions, and limitations:

#### A. Qualified SEAQ International Securities

1. The security being distributed ("Qualified SEAQ International Security") must be:

a. "Qualified German Security," as defined in Securities Exchange Act Release No. 33022 (October 6, 1993) ("Release No. 33022");<sup>5</sup> or

b. a "Qualified French Security," as defined in Securities Exchange Act Release No. 34176 (June 7, 1994) ("Release No. 34176");<sup>6</sup> or

c. any other security that qualifies for exemption pursuant to Securities Exchange Act Release No. 33137 (November 3, 1993) ("Release No. 33137").<sup>7</sup>

2. "Relevant SEAQ International Security" means:

a. a Qualified SEAQ International Security; or

b. a security of the same class and series as, or a right to purchase, a Qualified SEAQ International Security.

#### B. Transactions Effected in the United States

All transactions in Relevant SEAQ International Securities effected in the United States shall comply with Rules 10b-6, 10b-7, and 10b-8.

#### C. Transactions Effected in United Kingdom

1. All transactions in Relevant SEAQ International Securities during the Covered Period for the Qualified SEAQ International Security that are effected in the United Kingdom shall be conducted in compliance with U.K. law. For purposes of these exemptions, "Covered Period for the Qualified SEAQ International Security" means: (i) in the case of a rights distribution, the period commencing when the subscription price is determined and continuing until the completion or abandonment of the distribution in the United States, and (ii) in the case of any other distribution, the period commencing three business days in the principal market for the Qualified SEAQ International Security before the price is determined and continuing until the completion or abandonment of the distribution in the United States; *provided, however*, that the Covered Period for the Qualified SEAQ International Security shall not commence with respect to any Relevant Party until such person becomes a distribution participant.

2. All transactions in Relevant SEAQ International Securities during the Covered Period for the Qualified SEAQ International Security effected in the United Kingdom shall be effected on or reported to the Exchange, LIFFE, or SFA.

3. Disclosure of Trading Activities.

a. The inside front cover page of the offering materials used in the offer and sale in the United States of a Qualified SEAQ

International Security shall prominently display a statement in substantially the following form, subject to appropriate modification where circumstances require. Such statement shall be in capital letters, printed in bold-face roman type at least as large as ten-point modern type and at least two points leaded:

IN CONNECTION WITH THIS OFFERING, CERTAIN PERSONS MAY ENGAGE IN TRANSACTIONS FOR THEIR OWN ACCOUNTS OR FOR THE ACCOUNTS OF OTHERS IN (IDENTIFY RELEVANT SEAQ INTERNATIONAL SECURITIES) PURSUANT TO EXEMPTIONS FROM RULES 10b-6, 10b-7, and 10b-8 UNDER THE SECURITIES EXCHANGE ACT OF 1934. SEE "[IDENTIFY SECTION OF OFFERING MATERIALS THAT DESCRIBES THE TRANSACTIONS TO BE EFFECTED]."

b. In addition, there shall be included in the identified section of the offering materials a comprehensive description of the activities that may be undertaken by the Relevant Parties in the Relevant SEAQ International Securities during the distribution.

#### 4. Recordkeeping and Reporting.

a. Each Relevant Party shall provide to the Exchange the information described in paragraph II.C.4.b. below with respect to its transactions in Relevant SEAQ International Securities in the United Kingdom; *provided, however*, that in the case of a distribution made pursuant to rights, such information only is required to be reported to the Exchange during the period or periods commencing at any time during the Covered Period for Qualified SEAQ International Issuers that the rights exercise price does not represent a discount of at least 10 percent from the then current market price of the security underlying the rights and continuing until (a) the end of the Covered Period for Qualified SEAQ International Securities or (b) until the rights exercise price represents a discount of at least 12 percent from the then current market price of the security underlying the rights.<sup>8</sup>

b. When required pursuant to paragraph II.C.4.a. above, the Relevant Parties will provide the following information to the Exchange in a Comma Delimited ASCII (American Standard Code for Information Interchange) format including a common record layout acceptable to the Exchange and the Division, with respect to the Qualified SEAQ International Securities in Relevant SEAQ International Securities:

(i) name of the security, date, time (of execution and reporting, where available to the Relevant Party), price, and volume of each transaction; *provided, however*, that no information regarding a customer transaction need be provided unless such transaction has a value of £200,000, or more (currently \$310,000);

(ii) the exchange or inter-dealer quotation system on which the transaction was effected if any;

(iii) an indication whether such transaction was for a proprietary account or the account

<sup>8</sup>For purposes of this exemption, unless stated otherwise, the "current market price" for a Qualified SEAQ International Security shall be the closing mid-price at the end of the mandatory quote period for the day on SEAQ International.

of a customer, *provided that* any transaction effected by an underwriter for a customer account for which it has exercised discretionary authority shall be reported as a discretionary customer trade; and

(iv) the identity of the counterparty to the transaction.

c. The Exchange and the Relevant Parties shall keep all documents produced or prepared pursuant to paragraph II.C.4.b. for a period of not less than two years.

d. Upon the request of the Division, the Exchange shall transmit the information provided by the Relevant Parties pursuant to paragraph II.C.4.b. above to the Division within 30 days of the request.

e. If the information required to be produced in paragraph II.C.4.b. above is not available from the Exchange upon the request of the Division such information shall be provided by the Relevant Party and be made available to the Division of its office in Washington, D.C. within 30 days of the request. The Division will notify the Exchange that it has received information pursuant to this paragraph, and upon appropriate request, will provide the Exchange the information submitted by the Exchange's member firms or their affiliates.

f. Representatives of a Relevant Party will be made available (in person at the office of the Division or by telephone) to respond to inquiries of the Division relating to its records.

#### D. General Conditions

1. The lead underwriter or the global coordinator or equivalent person shall promptly, but in any event before the commencement of the Covered Period for the Qualified SEAQ International Security, provide a written notice to the Division and the Independent Entity containing the following information: (i) the name of the issuer and the Qualified SEAQ International Security; (ii) information with respect to the market capitalization and the average daily trading volume of the Qualified SEAQ International Security; (iii) if the notice is for more than one entity, the identity of all underwriters and selling group members relying on these exemptions;<sup>9</sup> and (iv) a statement that the Relevant Parties are aware of the terms and conditions of the exemptions.

2. Where a Notice is required to be provided to the Division pursuant to the exemptions granted in Release No. 33022, Release No. 34176, or Release No. 33137, the lead underwriter or the global coordinator or equivalent person may provide a single Notice, *provided that* the Notice contains the information in paragraph II.D.1.

3. Any person who fails to comply with the conditions of the exemptions, including a failure to provide requested information, would not be permitted to rely on the exemptions in future distributions. Upon a showing of good cause, however, the Commission or the Division may determine that it is not necessary under the circumstances that the exemptions be denied.

<sup>9</sup>Supplemental Notices shall be provided for underwriters and selling group members identified after a Notice has been submitted.

<sup>5</sup> 58 FR 53220.

<sup>6</sup> 59 FR 31274.

<sup>7</sup> 58 FR 60324.

The exemptions for "passive market making" granted by the Commission in *Letter regarding Distributions of Certain SEAQ and SEAQ International Securities* (July 12, 1993) shall continue to apply to transactions in securities covered by those exemptions and not qualifying for the exemptions granted herein.

The foregoing exemptions from Rules 10b-6, 10b-7, and 10b-8 are based solely on your representations and the facts presented, and are strictly limited to the application of those rules to the proposed transactions. Any different facts or representations might require a different response. Responsibility for compliance with any other applicable provisions of the federal securities laws must rest with the Relevant Parties. The Division expresses no view with respect to any other questions that the proposed transactions may raise, including, but not limited to, the adequacy of disclosure of any other federal or state laws to, the proposed transactions.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.

Brandon Becker,  
Director.

#### London Stock Exchange

6 January 1995

Mr. Larry Bergmann,  
Associate Director, Division of Market  
Regulation, US Securities and Exchange  
Commission, 450 Fifth Street NW.,  
Washington DC 20549, USA

Dear Larry

#### Distributions of Certain SEAQ and SEAQ International Securities

##### Introduction

I am writing to request an exemption from rules 10b-6, 10b-7 and 10b-8 under the US Securities Exchange Act of 1934 ("1934 Act") for distribution of certain SEAQ and SEAQ International securities, in line with the 1993 Policy Statement issued by the Commission ("Commission").

We seek exemptions for distributions of SEAQ securities that are component securities of FT-SE 100 Index<sup>1</sup> and have a market capitalisation of more than \$1 billion (£660 million) and a daily world-wide turnover of \$5 million (£3.5 million), and for distributions of certain SEAQ International securities, as discussed more fully below.

We also request that you confirm that distributions of SEAQ and SEAQ International securities which do not meet the requirements of the new exemptions may be made in conformity with the exemption from rules 10b-6 and 10b-7 granted in July 1993 ("1993 exemption")<sup>2</sup>, if the terms of that exemption are met.

<sup>1</sup> The FT-SE 100 consists of the 100 largest UK companies which have securities traded on the Domestic Equity Market.

<sup>2</sup> The 1993 exemption allows London Stock Exchange member firms who are Distribution Participants and Affiliated Purchasers (as defined in that exemption) to engage in passive market making activities during distributions of certain SEAQ and SEAQ International securities. That exemption was granted under rules 10b-6 and 10b-7 for multinational distributions of a security with a US tranche quoted on:

#### The London Stock Exchange

The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited, which trades as the London Stock Exchange ("Exchange"), is an organised stock exchange and regulatory organisation of long standing in the United Kingdom. The offices, facilities and operations of the Exchange are located in London, England with branches in various British centres and Dublin, Ireland. The Exchange is subject to UK law and is not registered under the 1934 Act in any capacity. The Exchange is recognised by the UK Securities and Investments Board ("SIB") as a Recognised Investment Exchange ("RIE") under the Financial Services Act of 1986 ("FSA").

#### The Exchange Markets.

The Exchange operates and regulates four markets.

1. Domestic Equity Market. Ordinary shares in UK and Irish companies are traded on the Domestic Equity Market. Over recent years, an average of 33,000 transactions have taken place every day, yielding a daily turnover of £1.6 billion.

The Stock Exchange Automated Quotation system ("SEAQ") is the screen based competitive market making system for Domestic Equity Market securities that are designated by the Exchange for inclusion in SEAQ. A Domestic Equity Market security includes: ordinary shares which are issued by companies which are incorporated in the United Kingdom, the Channel Islands, the Isle of Man or the Republic of Ireland ("the British Isles") and which are listed on the Exchange or trade on the Unlisted Securities Market ("USM"); depositary receipts for, stock convertible into or warrants to subscribe for such ordinary shares (subject to such convertible stock or warrants themselves being listed or designated by the Exchange); and such other securities which the Exchange permits to be traded on the Domestic Equity Market.

A SEAQ security is a Domestic Equity Market security for which a minimum of two market makers, each of whom is obliged to display two-way prices on SEAQ during the mandatory quote period and for which it is possible to calculate a normal market size. Approximately 2,000 securities are traded through SEAQ.

2. International Equity Market. This market is the largest market in the world for trading securities of foreign companies. Over recent years, an average of 8,636 transactions have taken place each day, while annual turnover has reached £579 billion. This market is

1. SEAQ (a) with a normal market size of 5,000 shares or greater or (b) that did not meet this condition but are agreed on by the Division and the Exchange as eligible securities; or

2. SEAQ International (a) that qualifies as a firm quote security and (b) with an average daily trading volume during any 20 consecutive business day period within 60 consecutive calendar days prior to the commencement of the cooling-off period that equals or exceeds the equivalent of \$250,000 (£166,000) as calculated from transactions reported to the Exchange as a foreign financial regulatory authority ("FFRA"), as that term is defined in section 3(a)(51) of the 1934 Act that publishes trade volume information.

divided into 20 country sectors and the developing markets sector. Trading in the International Equity Market can take place 24 hours a day; currently, quotations may only be input to SEAQ International between 7.00 and 20.00 UK time.

The Stock Exchange Automated Quotation International system ("SEAQ International") is the screen based competitive market making system used to support trading International Equity Market securities. An International Equity Market security includes: any equity security of a company which is incorporated in or has its principal office in, a country outside the United Kingdom, the Channel Islands, the Isle of Man and the Republic of Ireland and which is listed by or quoted under the rules of an approved organisation;<sup>1</sup> a depositary receipt for such a security; or any other security which the Exchange decides may be traded on the International Equity Market. A SEAQ International security is an International Equity Market Security for which a price is quoted on SEAQ International or a price on enquiry security.

3. Gilt-Edged and Sterling Bond Market. This is the market for trading gilt-edged securities and fixed income securities (Sterling-denominated corporate debt). In recent years, average daily turnover in gilt-edged securities has reached £6.3 billion, and in fixed interest securities has reached £4.3 billion.

4. Traditional Options Market. On this market, member firms effect transactions in traditional options in securities which are listed on the Exchange or are traded on the USM, in fixed interest securities which are not gilt-edged securities or in International Equity Market securities.

#### Exchange Market Making Obligations

The rules of the Exchange are designed, *inter alia*, to ensure that there is at all times a competitive and liquid market for securities listed on the Exchange and authorised for quotation on SEAQ or SEAQ International.

A firm that wishes to make a market on SEAQ or SEAQ International must be a member of the Exchange (rules 2.4, 3.3 and 4.3). Rule 4.5 obliges a market maker in a SEAQ security to display on SEAQ during the mandatory quote period firm two-way prices in not less than the minimum quote size and, subject to certain exceptions, to actively offer to buy from and sell to an enquiring member firm at the price and in the up to the size in a security displayed by it on SEAQ. Rule 3.6 requires a market maker in a SEAQ International security designated as a firm quote security, during the mandatory quote period, to display on SEAQ International two-way prices in not less than the minimum quote size and to actively offer to buy and sell at its displayed size and price upon enquiry from another Exchange member firm or a counterparty.

Certain adverse consequences may result when a member firm ceases to act as a market maker in a security. A market maker that withdraws its quotation from SEAQ or SEAQ

<sup>1</sup> An approved organization is an association or exchange which meets criteria agreed between the SIB and the Exchange and is included in a list published by the Exchange.

International in a security without the prior consent of the Exchange may have its registration as a market maker in such security terminated. A market maker that has withdrawn its quote on SEAQ International shall not, without the prior consent of the Exchange, re-enter quotations for that security during the day it was withdrawn unless the withdrawal arose by a failure of its market maker computer system (rule 3.10). A market maker shall obtain Exchange consent before withdrawing or re-entering its quotation in a SEAQ security during the mandatory quote period, and where withdrawal of a quotation was caused by the failure of a market maker computer system,

the market maker shall re-enter its quotation as soon as it is able to do so (rule 4.17(b)).

A member firm may not resume market making on SEAQ or SEAQ International in a security in which its registration has been terminated without the prior consent of the Exchange. A market maker may have its registration in a security withdrawn by the Exchange where it has so requested (and where it has met any Exchange requirements in connection with such withdrawal) or where the Exchange has so ordered. A market maker cannot re-register in a security within three months of a prior de-registration in respect of the same security.

These rules are designed to inhibit "fair weather market making" by effectively preventing a member firm from resuming market making activities in a security for a period of three months after the member firm ceases to make a market in that security.

#### *Trading characteristics of SEAQ and SEAQ International Securities*

Securities listed on the Exchange and quoted on SEAQ are categorized according to a system based on normal market size ("NMS"). The NMS classification for SEAQ securities is determined by the following formula.

$$\text{NMS} = \frac{\text{value of customer turnover in prior 12 months (£)}}{\text{closing mid-price on last day of quarter} \times 10,000}$$

The Exchange uses fourteen NMS categories that range from 100 shares, the lowest NMS category, to 200,000 shares, the highest NMS category. The NMS classifications of SEAQ securities are reviewed quarterly.

Securities listed on the Exchange generally trade at lower prices per share than comparable United States ("US") securities. The share prices of many of the most highly capitalized companies in the United Kingdom are less than the equivalent of \$5.00 per share.

Securities quoted on SEAQ International are categorised as either firm quote or indicative securities (and this includes price on enquiry securities).

Firm quote securities are generally the leading internationally traded equity securities listed on the major stock exchanges throughout the world. All other securities are indicative securities. The price per share of securities quoted on SEAQ International ranges from approximately \$1 to \$1,000 due to differences in market customs in the countries of these issuers. Normally, at least three member firms are required to register as market makers in a SEAQ International security before it can be designated as a firm quote security. However, there is discretion to permit a security to achieve firm quote status where only one or two member firms are registered to make markets in the security and wish to make firm quotes. A minimum quote size will be set for the security and, in general, each market maker will be committed to deal at the price and size it displays on the screen. The display of these securities is normally arranged on the basis of their country of origin giving rise to the geographic sectors on SEAQ International.

Market users are kept informed of any significant issues affecting the operation of the market by the transmission of market status messages which are transmitted via the same mechanism used to distribute market maker prices to quote vendors.

Member firms which register to make markets in indicative quote securities input indicative quotations without a minimum quote size to SEAQ International during the relevant mandatory quote period. If the market maker receives an enquiry from a

member firm or counterparty, it is obliged to quote a firm two-way price in the security which must be based on the quotation displayed on SEAQ International. As a result, it is implicit that market makers in indicative quote securities must actively maintain and update the quote such that they are representative of the current market value.

At least one member firm is required to register as a market maker before a security can be admitted to this category. Where a minimum of two market makers are registered in a security, the competing quotations for that security are gathered together on one display page but the price and size in each quotation will be indicative rather than firm.

As with firm quote securities, indicative securities are normally displayed according to their country of origin.

Price on enquiry securities are securities in respect of which no price and size quotation is displayed. A member firm registers as a market maker and only the name of the firm, the security and contact number are disseminated to the market. The market maker is obliged, however, to quote a firm two-way price when receiving an enquiry from another member firm or counterparty.

#### *Exchange Trade Reporting and Surveillance*

As in RIE, the Exchange is the principal agency for receiving trade reports and transaction reports by its member firms for investment business.

The Exchange requires its member firms to trade report specific details of every transaction effected on the Domestic Equity Market (rule 4.50). Rule 4.53 generally requires trade reporting to the Exchange to take place within three minutes of the execution of a transaction in a SEAQ security. This is followed by transaction reporting to Checking which matches reports from firms.

A member firm is required to report to the Exchange every transaction to which it is a party in an international Equity Market security on the International Equity Market. Rule 3.22 imposes time deadlines for transaction reporting.

Transaction surveillance is effected by interrogating data received via the Checking

and SEQUAL services under Exchange rules. Routine surveillance takes place to ensure that the member firms have complied with the dealing and reporting rules governing activity on SEAQ and SEAQ International.

Member firms must comply with rule 2.9, which prohibits any act, conduct or practice which, *inter alia*, creates a false or misleading impression as to the price or value of any security and which may induce another person to enter into or refrain from entering into any transaction. A market maker in a security that is a component with an index shall not change its displayed quotation in that security with the sole intention of moving the index value (rule 2.10). The Exchange may bring disciplinary proceedings against member firms which have, *inter alia*, failed to comply with a direction of the Exchange having binding effect, or have engaged in conduct detrimental to the interests of the Exchange (rule 14.11).

Member firms also must comply with the FSA, including section 47(2) thereunder, which provides:

Any person who does any act or engages in any course of conduct which creates a false or misleading impression as to the market in or the price or value of any investments is guilty of an offense if he does so for the purpose of creating that impression and of thereby inducing another person to acquire, dispose of, subscribe for or underwrite those investments or to refrain from doing so or to exercise, or refrain from exercising, any rights conferred by those investments.

#### *Bringing Securities to the Market*

There are three main methods of flotation which are presently used in the UK for Domestic Equity Market securities. (Other techniques may be used for offers of International Equity Market securities.)

1. Offers for Sale. Shares are offered by a company's sponsor to the public, inviting subscriptions both from institutional investors and private individuals. The shares made available may be new shares being issued for cash or existing shares held by

current shareholders. Normally, the offer is underwritten, e.g., the sponsor undertakes to ensure that all the shares are taken up even if the offer is under-subscribed, so that the company receives all the money that it is seeking to raise. In order to pool the risks involved, the broker to the issue makes sub-underwriting arrangements, mainly with institutional investors.

Offers for sale normally take place at a fixed price per share. As with a placing, the price is set immediately before the offer period following discussions between the company and its financial advisers.

Less common are offers for sale by way of tender. In a tender offer, shares are offered and underwritten at a minimum price. Applicants may subscribe at any price at or above this level, and a "striking price" for all investors is determined on the basis of applications submitted. In theory, tender offers provide a basis for a more accurate market valuation of a company's shares, maximising proceeds for the company. In practice this has not always been the case, and the uncertainty and complexity can discourage private investors. Tender offers have been used where there is no comparable company already listed to use as a benchmark to determine the company's value. If the issue is small and a large over-subscription is expected, the tender offer may be used as the risk of failure may be considered minimal.

2. Placings. In a placing, new shares or shares of existing shareholders are offered to the public selectively. A company's sponsor or broker sells the shares to its own client base, typically investing institutions and private clients, finding purchasers with whom the shares are then placed.

The Exchange will permit the entire issue to be placed in the case of an initial public offer of £ 15 million or less. Above this monetary limit, which applies both to the Official List and the USM, different arrangements may apply depending on the amount of money to be raised. The Exchange's rules for placings afford issuers the maximum freedom in selecting how they raise capital, while ensuring a fair distribution of shares and an appropriate level of liquidity on the secondary market.

Placings which are particularly geared to smaller companies, are the most frequently used method of making an initial public offer. Compared to an offer for sale, a placing is typically a relatively low-key operation, with less publicity and no widespread advertising. Cost may be considerably lower than for an offer for sale but the resulting shareholder spread is more limited.

3. Introductions. Where a company's shares are already widely held and the proportion in public hands satisfies the Exchange's requirements (25% for listing; 10% for the USM), their shares may be "introduced" to the market. In an introduction, no money is raised. The Exchange does not normally permit an introduction if a company has offered securities within the six months prior to it coming to the market, or if there is an intention by shareholders to dispose of shares at the time of flotation.

#### *Further issues of Securities*

A company may return to the market following flotation to raise further funds.

Where a cash offer of equity securities is made, the UK Companies Act 1985 gives shareholders the right to subscribe for new shares in proportion to their existing shareholding ("rights issue").

Rights issues are the most common form of further equity issue. In order to avoid dilution of shareholdings, shares are offered to existing shareholders in proportion to their shareholdings. To attract subscribers, rights issues usually take place at a discount to the prevailing market price. Underwriting is normally prudent to ensure that the issuer receives the funds required, unless the shares are offered at such a substantial discount that shareholders are almost certain to take up their rights. In order to give shareholders adequate opportunity to consider the terms of the issue and to take up their rights, the offer period must remain open for at least three weeks. The pre-emption right may be waived (to an extent) by a special resolution at the company's annual general meeting or at an extraordinary general meeting.

In the light of the costs and timetable involved, a company can opt to place new shares with institutions provided that the size of issue is within the terms agreed at the company's general meeting and is not issued at more than a 10% discount to the share price. A further issue of shares by way of a placing is not subject to the Exchange's limits on new issue placings.

Shares may be issued as consideration for the acquisition of a business or assets in cases where the vendor is ready to accept them instead of cash. This is more likely to be the case for quoted rather than unquoted shares, since quoted shares are marketable, and therefore normally more acceptable as a form of corporate currency.

An alternative is a vendor placing, which involves the issue of shares to the vendor together with arrangements being made on their behalf to sell some or all of the shares by placing them immediately with institutions so that the vendor receives cash. Such an arrangement does not fall within statutory pre-emption requirements, though shareholders may expect their directors to arrange for a "clawback" from the place in the case of an issue that was large in relation to the issued share capital.

#### *The New Exemptions for Distributions of Certain SEAQ and SEAQ International Securities*

The Exchange seeks exemptions from rules 10b-6, 10b-7 and 10b-8 for distribution participants and their affiliated purchasers (as defined in rule 10b-6(c)(b)(i) and (ii)) ("relevant parties"), in connection with transactions effected during distributions of certain SEAQ and SEAQ International securities:

##### *A. United Kingdom securities.*

###### *1. Securities.*

1.1 The security being distributed ("qualified UK security") must:—

(a) be issued by (i) a foreign private issuer as that term is defined in rule 3b-4 under the 1934 Act, which issuer ("UK issuer") is incorporated in the British Isles and has

outstanding a component security of the FT—SE 100<sup>1</sup> or (ii) a subsidiary of a UK issuer described in paragraph A1.1(a)(i); and

(b) satisfy one of the following:

(1) be an equity security of a UK issuer which security has an aggregate market capitalisation equal to or greater than \$1 billion (£660 million) and a world-wide average daily trading volume that equals or exceeds \$5 million (£3.5 million) as published by FFRAs and any U.S. securities exchanges or automated inter-dealer quotation systems, during a period that is 20 consecutive business days in London within 60 consecutive calendar days prior to the commencement of the covered period for UK issuers ("reference period for UK issuers"); or

(2) be a security that is convertible into, exchangeable for or a right to acquire a security of a UK issuer as described in paragraph A1.1(b)(1).

1.2 A "relevant UK security" is a qualified UK security, a security of the same class and series as the qualified UK security or a right to purchase the qualified UK security.

##### *2. Transactions effected in the United States.*

2.1 Transactions in relevant UK securities effected in the United States shall comply with rules 10b-6, 10b-7 and 10b-8, unless otherwise excepted or exempted from the operation of these rules.

##### *3. Transactions effected in the UK.*

3.1 Transactions in relevant UK securities during the covered period for the qualified UK security that are effected in the UK shall be conducted in compliance with UK law. For the purposes of this exemption, the term "covered period for the qualified UK security" means: (i) in the case of a rights issue, the period commencing when the subscription price is determined and continuing until the completion or abandonment of the distribution in the United States; and (ii) in the case of any other distribution, the period commencing three business days in London before the price is determined and continuing until the completion or abandonment of the distribution in the United States; *provided*, that the covered period for the qualified UK security shall not start with respect to any relevant party until such person becomes a distribution participant.

3.2 All transactions in relevant UK securities during the covered period for the qualified UK security effected in the UK shall be effected on or reported to the Exchange, the London International Financial Futures and Options Exchange Limited ("LIFFE") or the Securities and Futures Authority Limited ("SFA").

##### *3.3 Disclosure of trading activities.*

(a) The inside front cover page of the offering materials used in the offer and sale

<sup>1</sup> References to the FT—SE 100 refer to the composition of the index on the date of this letter. Any security added to the FT—SE 100 after the date of this letter will be treated as a UK security if its issuer satisfies the criteria in paragraph A1.1(a) and the security satisfies the requirements in paragraph A1.1(b)(1). Any security which ceases to be a component security of the index or otherwise meet the eligibility requirements in paragraph A1.1(b)(1) shall cease to be eligible for this exemption.

in the United States of a qualified UK security shall prominently display a statement in substantially the following form, subject to appropriate modification where circumstances require. Such statement shall be in capital letters, printed in bold-face roman type at least as large as ten-point modern type and at least two points leaded: IN CONNECTION WITH THIS OFFERING, CERTAIN PERSONS MAY ENGAGE IN TRANSACTIONS FOR THEIR OWN ACCOUNTS OR FOR THE ACCOUNT OF OTHERS IN [IDENTIFY RELEVANT UK SECURITIES] PURSUANT TO EXEMPTIONS FROM RULES 10b-6, 10b-7 and 10b-8 UNDER THE SECURITIES EXCHANGE ACT OF 1934. SEE "[IDENTIFY SECTION OF OFFERING MATERIALS THAT DESCRIBES THE TRANSACTIONS TO BE EFFECTED]"

(b) There shall be included in the identified section of the offering materials a comprehensive description of the activities that may be undertaken by the relevant parties in the relevant UK securities during the distribution.

#### 4. Record-keeping and reporting

4.1 Each relevant party shall provide to the Exchange the information required in paragraph A4.2 with respect to its transactions in relevant UK securities in the UK: *provided*, that in the case of a rights issue, information is only required to be reported to the Exchange during the period or periods commencing at any time the covered period for the qualified UK security that the rights exercise price does not represent a discount of at least 10 per cent from the then current market price of the security underlying the rights and continuing until (i) the end of the covered period for the qualified UK security or (ii) until the rights exercise price represents a discount of at least 12 per cent from the then current market price of the security underlying the rights.<sup>1</sup>

4.2 When required pursuant to paragraph A4.1, the relevant parties will provide the following information to the Exchange in a Comma Delimited ASCII (American Standard Code for Information Interchange) format including a common record layout acceptable to the Exchange and the Division, with respect to transactions during the covered period in relevant UK securities during the covered period for the qualified UK security:

(a) the name of the security, date, time (of execution and also trade reported or transaction reported, as the case may be, where available to the relevant party), price and volume of each transaction: *provided*, that no information regarding a customer transaction shall be provided unless the transaction has a value of £200,000 (currently \$31,000) or more;

(b) the exchange or inter-dealer quotation system on which the transaction was effected (if any);

(c) an indication whether the transaction was for a proprietary account or the account of a customer: *provided*, that a transaction effected by a relevant party for a customer

account for which it has exercised discretionary authority shall be reported as a Discretionary Customer Trade; and

(d) the identity of the counterparty to the transaction.

4.3 The Exchange and the relevant parties shall keep all documents produced or prepared pursuant to paragraph A4.2 for a period of not less than two years.

4.4 Upon the request of the Division, the Exchange shall transmit the information provided by the relevant parties pursuant to paragraph A4.2 within 30 days to the Division.

4.5 If the information required to be produced pursuant to paragraph A4.2 is not available from the Exchange, the relevant parties shall upon request provide this information to the Division (at its offices in Washington DC) within 30 days, with respect to their own reportable transaction. The Division will notify the Exchange that it has received information pursuant to this paragraph and upon request will provide the Exchange the information submitted by the Exchange's member firms or their affiliates.

4.6 Representatives of a relevant party shall be available to respond to inquiries of the Exchange or the Division (in person at the offices of the Division or by telephone) relating to its records.

#### 5. Transaction effected in significant markets

5.1 All transactions in relevant UK securities in a significant market shall be effected in accordance with rules 10b-6, 10b-7 and 10b-8, or other available exemptions. For purposes of this exemption, the term "significant market" means any securities market in a country other than the United States or the British Isles to which a UK issuer has applied for listing or obtaining a quotation for the qualified UK security and been accepted, if during the reference period for the qualified UK security the volume in such qualified UK security, as published by the relevant FFRA in such securities market, is 10 per cent or more of the aggregate world-wide trading volume in that security as published by all FFRAs in such significant markets, in the British Isles and the US securities markets.

#### 6. General conditions

6.1 For purposes of these exemptions, a two business day cooling-off period shall apply under rule 10b-6(a)(4)(xi) and (xii) in the United States. Each significant market shall be subject to the exemptive relief then available in such market, if any, or the record maintenance and record production requirement in *Letter regarding Application of Cooling-off Periods Under Rules 10b-6 to Distributions of Foreign Securities* (April 4, 1994).

6.2 The lead underwriter, global co-ordinator or equivalent person shall promptly but in any event before the commencement of the covered period for the qualified UK securities and within such time limitations as are prescribed by the Exchange, provide written notice ("Notice") to the Exchange and the Division containing the following information:

(a) the name of the issuer and the qualified UK security;

(b) whether the qualified UK security is FT-SE 100 component security or

information about the market capitalisation and the world-wide average daily trading volume of the qualified UK security to be distributed;

(c) the identity of the significant market where the qualified UK security trades;

(d) if the Notice is for more than one entity, the identity of all underwriters and selling group members relying on these exemptions;<sup>1</sup> and

B. Certain SEAQ International securities.

#### 1. Securities

1.1 The security being distributed ("qualified SEAQ International security") must be:

(a) a "qualified German security" as defined in Securities Exchange Act Release No 33022 (6 October 1993);

(b) a "qualified French security" as defined in Securities Exchange Act Release No 34176 (7 June 1994); or

(c) a security that qualifies for exemption pursuant to Securities Exchange Act Release No 33137 (3 November 1993).

1.2 A "relevant SEAQ international security" is a qualified SEAQ International security or a security of the same class and series as or a right to purchase the qualified SEAQ International security.

#### 2. Transaction effected in the United States.

2.1 Transaction in relevant SEAQ International securities effected in the United States shall comply with rules 10b-6, 10b-7 and 10b-8, [unless otherwise excepted or exempted from the operation of these rules.]

#### 3. Transactions effected in the UK.

3.1 Transactions in relevant SEAQ International securities during the covered period for the qualified SEAQ International security in the principal market effected in the UK shall be conducted in compliance with UK law. For the purposes of this exemption, the term "covered period for the qualified SEAQ International security" means; (i) in the case of a rights issue, the period commencing when the subscription price is determined and continuing until the completion or abandonment of the distribution in the United States; and (ii) in the case of any other distribution, the period commencing three business days in the principal market before the price is determined and continuing until the completion or abandonment of the distribution in the United States: *provided*, that the covered period for the qualified SEAQ International security shall not start with respect to any relevant party until such person becomes a distribution participant.

3.2 All transactions in relevant SEAQ International securities during the covered period for the qualified SEAQ International security effected in the UK shall be effected on or reported to the Exchange, LIFFE or SFA.

#### 3.3 Disclosure of trading activities.

(a) The inside cover page of the offering materials used in the offer and sale in the United States of a qualified SEAQ International security shall prominently

<sup>1</sup> For the purposes of this exemption, unless stated otherwise, the current market price for a qualified UK security shall be the closing mid-price at the end of the mandatory quote period for the day on SEAQ.

<sup>1</sup> Supplemental Notices shall be made for underwriters and selling group members identified after a Notice has been filed.



display a statement in substantially the following form, subject to appropriate modification where circumstances require. Such statement shall be in capital letters, printed in bold-face roman type at least as large as ten-point modern type and at least two points leaded

IN CONNECTION WITH THIS OFFERING, CERTAIN PERSONS MAY ENGAGE IN TRANSACTIONS FOR THEIR OWN ACCOUNTS OR FOR THE ACCOUNTS OF OTHERS IN [IDENTIFY RELEVANT SEAQ INTERNATIONAL SECURITIES] PURSUANT TO EXEMPTIONS FROM RULES 10b-6, 10b-7 and 10b-8 UNDER THE SECURITIES EXCHANGE ACT OF 1934. SEE "[IDENTIFY SECTION OF OFFERING MATERIALS THAT DESCRIBES THE TRANSACTIONS TO BE EFFECTED]."

(b) There shall be included in the identified section of the offering materials a comprehensive description of the activities that may be undertaken by the relevant parties in the relevant SEAQ International securities during the distribution.

#### 4. Record-keeping and reporting.

4.1 Each relevant party shall provide to the Exchange the information required in paragraph B4.2 with respect to its transactions in relevant SEAQ International securities in the UK: *provided*, that in the case of a rights issue, information is only required to be reported to the Exchange during the period or periods commencing at any time during the covered period for the qualified SEAQ International security that the rights exercise price does not represent a discount of a least 10 per cent from the then current market price of the security underlying the rights and continuing until (i) the end of the covered period for the qualified SEAQ International security or (ii) until the rights exercise price represents a discount of a least 12 percent from the then current market price of the security underlying the rights.<sup>1</sup>

4.2 When required pursuant to paragraph B4.1, the relevant parties will provide the following information to the Exchange in a Comma Delimited ASCII (American Standard Code for Information Interchange) format including a common record layout acceptable to the Exchange and the Division, with respect to transactions during the covered period for qualified SEAQ International securities during the reference period in qualified SEAQ International securities:

(a) the name of the security, date, time (of execution and also trade reported or transaction reported, as the case may be, where available to the relevant party), price and volume of each transaction: *provided*, that no information regarding a customer transaction shall be provided unless the transaction has a value of \$200,000 (currently \$310,000) or more;

(b) the exchange or inter-dealer quotation system on which the transaction was effected;

(c) an indication whether the transaction was for a proprietary account or the account

of a customer: *provided*, that a transaction effected by a relevant party for a customer account for which it has exercised discretionary authority shall be reported as a Discretionary Customer Trade; and

(d) the identity of a counterparty to the transaction.

4.3 The Exchange and the relevant parties shall keep all documents produced or prepared pursuant to paragraph B4.2 for a period of not less than two years.

4.4 Upon request, the Exchange will transmit the information provided by relevant parties pursuant to paragraph B4.2 within 30 days to the Division.

4.5 If the information required to be produced pursuant to paragraph B4.2 is not available from the Exchange, the relevant parties will upon request provide this information to the Division (at its offices in Washington DC) within 30 days, with respect to their own reportable transaction. The Division will notify the Exchange that it has received information pursuant to this paragraph and upon request will provide the Exchange the information submitted by the Exchange's member firms or their affiliates.

4.6 Representatives of a relevant party will be made available to respond to inquiries of the Exchange or the Division (in person at the offices of the Division or by telephone) relating to its records.

#### 5. General conditions.

5.1 The lead underwriter, the global coordinator or equivalent person shall promptly, but in any event before the commencement of the covered period for the qualified SEAQ International security, provide a written notice to the Division and the Exchange containing the following information: (i) the name of the issuer and the qualified SEAQ International security; (ii) information with respect to the market capitalization and the average daily trading volume of the qualified SEAQ International security; (iii) if the notice is for more than one entity, the identity of all underwriters and selling group members relying on these exemptions; and (iv) a statement that the relevant parties are aware of the terms and conditions of the exemptions.

5.2 Where a Notice is required to be given pursuant to an exemption named in paragraph B1.1, the lead underwriter, the global manager or equivalent person may provide a single Notice: *provided*, that the Notice contains the information required by paragraph B5.1.

#### Conclusion

This request for an exemption relates to distributions of those SEAQ or SEAQ International securities which meet the specified requirement statement above. A distribution of a SEAQ or SEAQ International security which is subject to rules 10b-6, 10b-7 or 10b-8 and does not meet the terms of the new exemption, may be made subject to the 1993 exemption. A distribution of any SEAQ or SEAQ International security subject to rules 10b-6, 10b-7 and 10b-8 and falling outside this exemption, the 1993 exemption or any other exemption in force would require a specific grant of relief.

If you have any questions, please do not hesitate to call me or, in my absence, Mark

Berman of our Legal department (071 707 3512).

Yours sincerely,

Dan Sheridan,

Head of Market Supervision.

[FR Doc. 95-1716 Filed 1-23-95; 8:45 am]

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### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by Chicago Stock Exchange, Inc. Relating to Exclusive Issues

January 18, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. § 78s(b)(1), notice is hereby given that on November 10, 1994, the Chicago Stock Exchange, Inc. ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change and on January 4, and 9, 1995, filed Amendment Nos. 1 and 2, respectively, to the proposed rule change,<sup>1</sup> as described in Items I, II and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Chicago Stock Exchange, Incorporated, pursuant to Rule 19b-4 promulgated under the Securities Exchange Act of 1934, as amended, submits a proposed rule change relating to exclusive issue rules (Article XXX, Rule 23).

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

<sup>1</sup> See letters from David Rusoff, Foley & Lardner, to Amy Bilbija, SEC, dated December 29, 1994; and to Glen Barrentine, SEC, dated January 5, 1995. Amendment Nos. 1 and 2 made non-substantive changes to the proposal.

<sup>1</sup> For the purposes of this exemption, unless stated otherwise, the current market price for a qualified SEAQ International security shall be the closing mid-price at the end of the mandatory quote period for the day on SEAQ International.